

## Message Text

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ORIGIN INT-05

INFO OCT-01 ISO-00 EA-12 IO-14 L-03 /035 R

DRAFTED BY INT/DOTA/GCHILL/DP  
APPROVED BY INT/DOTA/RVANCLEVE  
-----122489 170504Z /14  
P 170254Z MAY 78  
FM SECSTATE WASHDC  
TO GOV NMI SAIPAN MARIANA IS PRIORITY

UNCLAS STATE 125182

E.O. 11652: N/A

TAGS: OGEN TQ

SUBJECT: INTERNAL REVENUE CODE APPLICATION JANUARY 1,  
1979

DOTA NO. 043 NMI

PASS TO BERTRAM SANDLER, IRS ADVISOR: FROM DIRECTOR IRS/  
TAAS.

1. ON MAY 12 REPRESENTATIVES OF TAAS MET WITH OFFICIALS FROM INTERIOR, NMI'S REPRESENTATIVE TO THE U.S., LEGAL REPRESENTATIVES FOR NMI AND A REPRESENTATIVE OF NATHAN ASSOCIATES. THE PURPOSE OF THE MEETING WAS TO DISCUSS CERTAIN CRITICAL PROBLEMS THAT MAY RESULT WHEN THE IRC BECOMES APPLICABLE IN THE NMI. IT IS POSSIBLE THAT ANY REVENUE GENERATED WILL BE MINIMAL AND THAT THE COST TO ADMINISTER THE CODE MAY APPROACH OR EXCEED EXPECTED REVENUES. IF SO, NMI REPRESENTATIVES MAY SEEK PROMPT US CONGRESSIONAL ACTION TO RESOLVE THE PROBLEM BY EARLY JUNE.

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2. TAAS HAS BEEN REQUESTED TO SEEK YOUR HELP IN ASSISTING THE NMI IN OBTAINING THE FOLLOWING INFORMATION:

(1) PROJECTIONS OF INCOME TAX REVENUE THAT WILL RESULT FROM APPLICATION OF THE CODE, (2) EFFECT OF VARIOUS TAX CREDIT PROVISIONS, INCLUDING THE EARNED INCOME CREDIT, ON SU-H REVENUE, AND (3) A BREAKDOWN OF PROJECTED COSTS

OF ADMINISTERING THE CODE TO THE NORTHERN MARIANAS GOVERNMENT. ALSO DESIRED ARE THE APPROPRIATE BACK-UP DATA AND CALCULATIONS FOR ANY CONCLUSIONS. THE BACK-UP DATA AND CALCULATIONS MAY INCLUDE BUT NOT BE LIMITED TO PROJECTIONS OF TAXABLE INCOME AND INFORMATION ON THE TAXPAYER POPULATION, SUCH AS NUMBER OF TAXPAYERS, LEVELS OF INCOME AND NUMBER OF DEPENDENTS.

3. INDICATIONS ARE THAT THE LOCAL 3 TAX ON WAGES AND SALARIES AND THE LOCAL TAX ON GROSS REVENUES WILL CONTINUE IN EFFECT AFTER JANUARY 1, 1979 AND WILL BE A DEDUCTION FROM ADJUSTED GROSS INCOME AND THAT THE FOREIGN TAX CREDIT WILL BE AVAILABLE FOR TAXES PAID TO THE CONGRESS OF MICRONESIA.

4. APPROPRIATE ASSUMPTIONS MAY BE MADE AS TO THE LIKELY EFFECT OF CHANGES IN THE TAXPAYER POPULATION OF THE NORTHERN MARIANAS, SUCH AS MOVEMENT OF EMPLOYEES OF THE TRUST TERRITORY GOVERNMENT FROM THE NORTHERN MARIANAS. FINALLY, INDICATIONS OF ANY OTHER CRITICAL ASSUMPTIONS SHOULD BE IDENTIFIED IN PROVIDING THE INFORMATION.

5. IF AGREEABLE TO YOUR COUNTERPART, IF YOU HAVE THE APPROPRIATE RESOURCES AND IF OTHER PRIORITIES DO NOT TAKE PRECEDENCE, PLEASE ASSIST YOUR NMI COUNTERPARTS IN DEVELOPING THE REQUESTED INFORMATION.  
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6. YOU SHOULD NOT BE EXPLICITLY IDENTIFIED WITH THE FINAL PRODUCT, RATHER IT SHOULD BE THAT OF YOUR COUNTERPART PREPARED WITH YOUR ADVISORY ASSISTANCE AND SUBMITTED BY HIM BEFORE JUNE 1 TO DR. CARBOS S. CAMACHO, GOVERNOR OF THE NORTHERN MARIANAS, COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS, P.O. BOX 89, SAIPAN, MARIANA ISLANDS 96950 AND TO MR. EDWARD DLG. PANGELINAN, 1016 SIXTEENTH STREET, N.W., SUITE 700, WASHINGTON, D.C. 20006.  
GORDON C. HILL, DIRECTOR TAAS, IRS SENDS. VANCE

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
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**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
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**Disposition Comment:**  
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**Disposition History:** n/a  
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**Drafter:** DOTA/GCHILL/DP  
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**Errors:** N/A  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014